



Maryland Automobile Insurance Fund

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2006 BUDGET ISSUE RESPONSE

Issue

MAIF Retirement Contribution Rate - The analyst recommended that MAIF revise the calendar 2006 budget to use the blended rate of 6.25% for the retirement contribution rate in calendar 2006.

MAIF Response:

As reported by the analyst, MAIF used the correct percentage as provided by DBM at the time it created its budget and MAIF will use the appropriate percentage when paying this contribution. However, because by statute, MAIF's Board of Trustees approves MAIF's budget yearly, there is no mechanism to change the budget at this time. It has been the Board's long-standing practice not to alter the original budget numbers once those numbers have been approved. That approval took place in September 2005 for the 2006 budget. The Board expects variances to occur and prefers to have staff report on these fluctuations periodically. The differences in the percentages will result in an approximate \$100,000 change on the combined budget of \$48.3 million.

Therefore, MAIF will not be altering its original budget numbers for the new information on the retirement contribution rate.

M. Kent Krabbe
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